



STATE OF CONNECTICUT
John G. Rowland, Governor

Office of Health Care Access

Raymond J. Gorman, Commissioner

2000 Annual Report

To the Governor and the Connecticut General Assembly

MARCH 2001

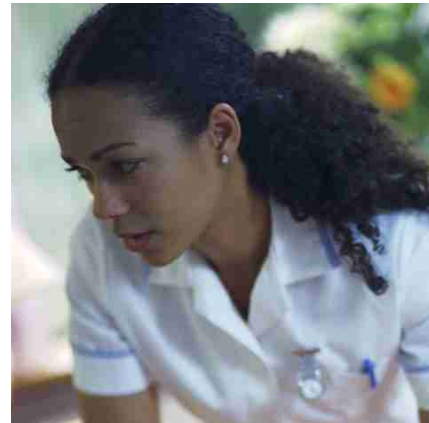
Planning Tomorrow's Health Care System Today

Ensuring that citizens of Connecticut have access to a quality health care delivery system is the primary mission of the Office of Health Care Access (OHCA). In 2000, the Agency continued its efforts to fulfill its mission by advising Executive and Legislative Branch policy makers on health care issues; informing the public and industry of statewide and national trends; and designing and directing health care system development.

The State continues to be the largest purchaser of health care in Connecticut, spending close to \$4 billion in 2000. Health care accounts for nearly one-third of the state's overall budget. The research, analysis, regulatory and reporting functions administered by OHCA enable State policy makers to monitor the health care delivery system, identify areas of potential need, better coordinate State policy and actions, formulate solutions for meeting identified needs, and fully leverage the State's significant buying power in a coordinated manner to control cost and increase quality.

To monitor and promote effectiveness and efficiency within Connecticut's health care system, OHCA:

- Continually assesses and responds to the health care information needs of the public, the legislature, other agencies, the health care industry and the insurance sector.
- Initiates collaborations among industry providers, associations and other entities to promote a strong and responsive health care delivery system;
- Strengthens and encourages liaisons with other State agencies to promote data sharing and integration and streamlining of business practices;



- Refines its own practices and procedures to simplify and make them more responsive to current health care needs; and
- Takes a comprehensive view of consumers' health care concerns and needs.

The Office of Health Care Access gathers, verifies, analyzes and reports on a wide range of hospital financial data for use by health care policy decision-makers. Information includes hospital expenses and revenues, uncompensated care volumes, Disproportionate Share and Emergency Assistance to Families data, and other financial data as needed.

OHCA also assists in health system planning while limiting excess system capacity and ensuring accessible health care through administration of the Certificate of Need (CON) program for hospitals and health care facilities. Through consistent application of Certificate of Need protocols, OHCA strives to assure optimal levels of services and their sustained availability.

An important aspect of the CON process is the provision for public comment, offering Connecticut residents a voice in directing the development of the state's health care delivery system. The process also provides opportunity for provider and payer participation in the system development process.

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is to ensure that citizens of
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OHCA specializes in the analysis and interpretation of health care utilization information and communicates regularly with legislators, health care policy makers, the health care industry and the general public, using information from OHCA's own databases, secondary data and published sources. In this role, OHCA also identifies opportunities for data integration and standardization, monitors and evaluates health care

utilization and costs, and reports the effects of changes within the health care delivery system. By analyzing health care delivery system data, OHCA identifies areas needing better coordination or a different configuration of resources and services, and articulates effective strategies.

OHCA regularly conducts topical studies intended to assist in the development of specific areas of the health care system. This function, combined with the agency's regulatory authority, empowers OHCA to encourage collaborative efforts in the development of a responsive health care system.

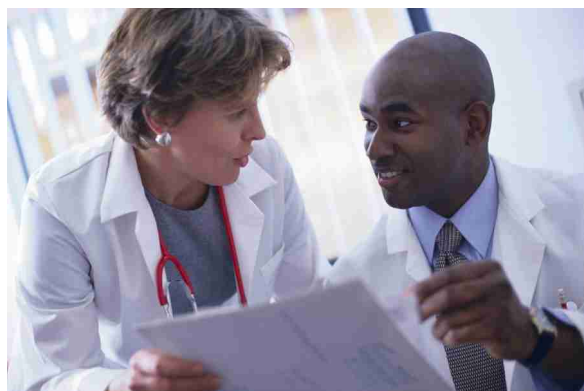
The Office consistently raises awareness of health system access issues through communication with the public, the Executive and Legislative Branches, industry representatives and other policy makers in Connecticut. OHCA capably adapts to the challenges present in today's health care delivery system. As a result, the agency is able to provide information to health care industry stakeholders and decision-makers in a timely fashion.

2000 Objectives and Achievements

Because it is neither a provider nor purchaser of health care, OHCA remains uniquely and independently positioned to assess health care issues related to access, cost and delivery, and to assist policy makers and the health care industry in crafting a superior health care system for all residents of the state.

Consistent with the sweeping and systemic changes altering the landscape of health care delivery in Connecticut, the Office of Health Care Access has evolved from its traditional role as monitor to that of policy advisor and catalyst for effective change. In 2000, OHCA reinforced and expanded its position as a leader in State health care policy discussions.

As the Office of Health Care Access entered a new decade, its mission and concomitant objectives were clear. The Office was successful during the late 1990s in redefining itself as a primary source of quality information designed to help policy makers in determining and guiding the evolution of Connecticut's health care delivery system. In so doing, OHCA set the stage for a more active role in leading, shaping and informing effective health systems policy for the state.



Heightened awareness about the financial pressures facing hospitals and health care delivery systems has yielded simultaneous concern regarding access to care.

The Office of
Health Care

Access asserts
that thoughtful,
well-informed
planning and
decision-making

Today's conditions

demonstrate the need for

fiscal accountability and sound,

data-driven decision making.

will not only avert a decline in Connecticut's ability to meet the health care needs of its residents, but will lead to a stronger, responsive, consumer-focused and fiscally accountable system.

Consistent with this philosophy, OHCA established its objectives and initiatives for 2000.

Objective 1:

Advise Executive and Legislative Branch policy makers on health care issues.

As the health care environment in Connecticut continues to experience significant and dynamic change, OHCA is assuming increasing responsibility to actively identify and report on key policy issues and to respond to Legislative and Executive branch requests for research and analysis. In 2000, the Agency's primary initiatives in this area included the following.

Analyze and Report on Hospitals and Health Systems:

Policy makers possess an ongoing need to be informed about trends facing hospitals and health care delivery in the state. These include changes in medical technology

and revenue streams, the growth of outpatient medical treatment, staffing shortages, and regulatory issues. In late spring 1999, the General Assembly passed Special Act 99-10, which included a mandate for OHCA to conduct a study of the health of the Connecticut hospital system and the factors that influence the financial condition of hospitals. This mandate was based on the premise that hospitals were facing increasing financial challenges during the late 1990s. In 2000, the Agency met with key stakeholders including government policy makers in the Executive and Legislative branches, and hospital executives to craft the study approach.

OHCA's study of hospitals consisted of five primary activities.

- Define, extract and analyze Connecticut hospital financial and utilization data.
- Conduct focus group meetings with stakeholders to define and discuss major forces influencing hospitals.
- Develop a series of papers to describe the evolution of hospitals, the current state of hospitals, and major forces affecting hospitals' financial condition.
- Conduct on-site interviews with each hospital in Connecticut.
- Conduct interviews with non-hospital stakeholders.

OHCA used both internal and external resources to conduct the above activities. The Lewin Group, Inc. of Falls Church, Virginia analyzed data, conducted focus group discussions, hospital visits and stakeholder interviews and provided written products to OHCA. These products, together with the analyses provided by OHCA, resulted in a 300-page report designed to inform public policy makers, members of the hospital

industry, and health care consumers about the various forces that are influencing hospitals today and what can be done to strengthen Connecticut's health care delivery system.

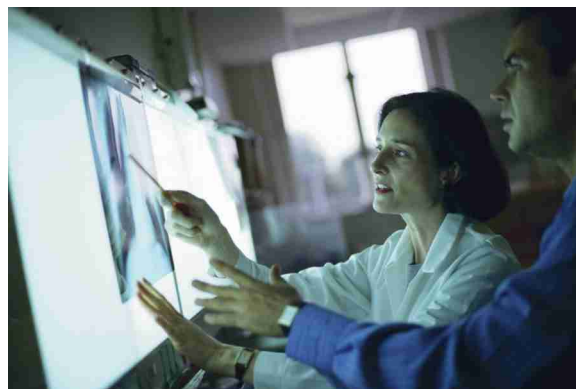
Conduct Analysis of Hartford Area Health System:

In late 1999, OHCA responded to legislative inquiries for information on the financial stability of the health care delivery system in Greater Hartford by convening the "Hartford Area Health Care Services Discussion Group" in cooperation with area hospitals. The group met frequently at the close of 1999.

During this time, OHCA also conducted an independent review of matters affecting academic health centers.

OHCA enlisted the help of industry representatives to review trends, explore processes to improve Agency functions and operations, and to gather information to be considered in policy development.

The Office also evaluated management and Certificate of Need-related matters of the University of Connecticut Health Center. In January 2000, OHCA



produced and distributed a report that summarized the findings of the Hartford Area Health Care Services Discussion Group as well as the agency's independent research. The report offered recommendations for consideration by the General Assembly regarding the future of the Health Center, John Dempsey Hospital and the University of Connecticut School of Medicine.

Convene the OHCA Advisory Council:

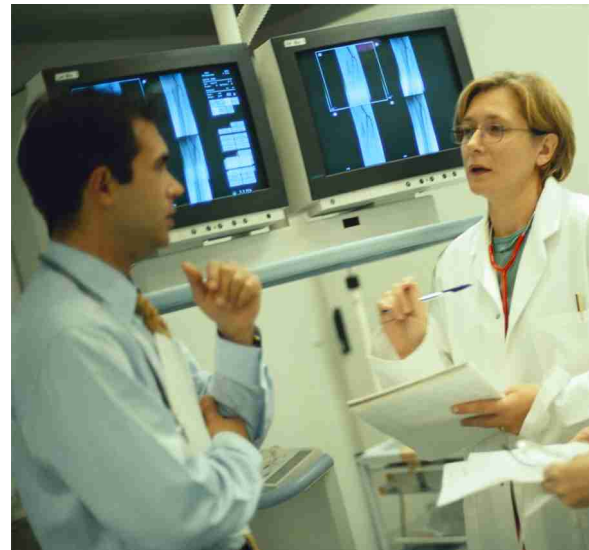
In order to provide OHCA leadership with ongoing, informed guidance as it advances its mission and objectives, the Agency established a professional Advisory Council in late 1999. The group, comprised of high level professionals and executives from the health care and insurance industries, met for the first time in January 2000 and quarterly thereafter. The Group provided perspectives to OHCA on such issues as legislative proposals and revisions to the Uncompensated Care Pool program.

Gather Information on Industry Trends:

Throughout the year, OHCA enlisted the help of health care industry representatives in reviewing industry trends, exploring processes to improve Agency functions and operations, and gathering information to be incorporated into policy development.

In 2000 OHCA successfully continued its efforts to convene and facilitate a number of working groups to solicit valuable information and perspectives. OHCA engaged industry representatives and state policy makers in groups designed to gather information and share views on:

- Conditions affecting the health of hospitals;
- Outpatient surgical procedures;
- Graduate medical education;



- Nurse staffing levels;
- Cardiovascular service needs;
- State health insurance purchasing; and
- New developments in imaging equipment.

Information gathered during these group sessions was used in the development of legislative reports, Agency recommendations and new policies. Several publications based on work group findings were released in 2000 and in early 2001.

Streamline the Disproportionate Share Program:

In 1999, OHCA expressed its intention to propose legislative changes that would streamline and simplify the Disproportionate Share (DSH) program by beginning to use actual data in place of formulaic calculations in several places. This 2000 legislative initiative, proposed in collaboration with the Office of Policy and Management, was supported by OHCA during the 2000 General Assembly Session and was successful. OHCA further reduced confusion in the DSH program by

eliminating the “4th quarter adjustment,” which became unneeded when the use of actual historical data began. The most significant contribution made to simplifying the DSH program, however, was the Governor’s elimination of the Gross Expenses Tax (GET Tax) on hospitals. This initiative was enthusiastically supported by OHCA, and its passage resulted in more than \$100 million in tax savings for hospitals in SFY 00-01.

Accelerate ACHIEVE Project:

In 1999, OHCA, in concert with the Office of Policy and Management, launched ACHIEVE, a 3-year project funded by the Robert Wood Johnson Foundation. The project’s objectives are to:

- Leverage the State’s significant purchasing power and improve accountability in the area of quality;
- Measure the success of the efforts to further expand access and coverage to uninsured children and their families; and
- Enhance data capabilities to coordinate agency purchasing and contracting for health care.

During 2000, the ACHIEVE staff continued to work with multiple state agencies to develop and implement a purchasing strategy that will hold the health plans that the State contracts with accountable for cost, quality and access. The project team established and facilitated a Joint Policy Procurement Workgroup to help each purchaser agency identify solutions to their respective health purchasing challenges. This group meets monthly to discuss coordinating State health purchasing strategies in order to improve health care quality, cost and access.

In summer of 2000, ACHIEVE hosted a workshop, *Best Practices in Health Care Purchasing*. Staff from six state agencies participated, sharing and discussing their respective purchasing and contracting issues in the current managed care environment. The workshop defined value-based purchasing, provided examples of current best practices, and detailed how various purchasing strategies might be applied in Connecticut.

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ACHIEVE sponsored a Health Summit in June 2000 to establish a foundation for a joint purchasing effort among agency heads, Executive Branch staff and Legislative staff.

ACHIEVE project staff conducted interviews with the principal agencies participating in the purchasing initiative: the Office of Policy and Management, Department of Social Services, Office of the State Comptroller, Department of Administrative Services and the State Teachers’ Retirement Board. Areas addressed included definition of each agency’s role in the health care procurement process, key objectives, desired outcomes, areas of commonality, and opportunities for collaboration.

Throughout 2000, the ACHIEVE project implemented a systematic communications strategy that resulted in the publication and strategic distribution of Issue Briefs addressing the policy implications of rising

A planning grant from the Department of Health and Human Services will be used to explore options to provide affordable health insurance coverage to all of Connecticut's citizens.

prescription drug costs, profiles on each of four key health purchasing entities, and highlights from the Best Practices in Health Care Purchasing workshop. In late 2000, ACHIEVE

developed a database report of health plan contract performance indicators from each of the principal purchasing agencies.

Study and Report on Graduate Medical Education:

Changes in federal financing of graduate medical education have raised this issue to prominence with health care policy makers. At the request of the Legislature, OHCA published its first annual review of graduate medical education in Connecticut in 1999. OHCA established a Graduate Medical Education Advisory Council to assist in the development of the first annual report. The Council reconvened in the fall of 2000 to receive comments from the Legislature's Public Health Committee regarding the first report, and to frame the analysis for the next report. The Second OHCA Report on Graduate Medical Education was released in January 2001.

Report on Nurse-Patient Ratios in Hospitals:

In response to legislation passed in 1999, OHCA released in February 2000 the Nurse to Patient Ratio Study, a report that provided an overview of nursing trends in acute care hospitals, evaluated how these trends affect hospitals and reviewed pending initiatives and legislation that may address these issues.

In addition, OHCA was successful in 2000 in applying for and receiving a one-year planning grant from the Health Resources and Services Administration of the U.S. Department of Health and Human Services. The purpose of this grant is to explore options to provide affordable health insurance coverage to all of Connecticut's citizens. This project will be done in collaboration with the Department of Social Services.

The agency also developed an analysis of behavioral health utilization across all Connecticut inpatient providers. This was the first time that data from all providers –state and private, general and specialty – had been compiled to determine the overall utilization of this service.

Objective 2:

Inform the public and the health care industry of statewide and national trends.

OHCA recognizes that in addition to policy makers, health care consumers and providers can contribute much to the evolution and development of the health system in the state. Consumers, as customers of the health care system, are well aware of its strengths and weaknesses; providers not only offer care, they are significant employers of Connecticut citizens. In 2000,

OHCA continued to inform the public and providers on critical information about state and national trends and provide a forum for these stakeholders to provide input into the design of the health care system through the following initiatives.

Host the Annual OHCA Health Care Industry Forum:

In October, the Agency hosted its second annual conference showcasing its achievements and setting forth its objectives for the coming year. Nearly 300 leaders representing the hospital, health care and insurance industries joined legislators, representatives from provider groups, and private, non-profit and State agencies for this event. The keynote address on current state health care issues presented by Office of Policy and Management Secretary Marc S. Ryan was supplemented with updates from OHCA leadership on the Agency's efforts and intentions to address particular issues of concern. Participant feedback was very positive, and the number of website downloads of the presentation were significant.

Facilitate Appropriate Industry Working Groups:

Throughout 2000, OHCA successfully engaged health care industry representatives when developing new initiatives or when designing processes to improve Agency functions and operations. Groups convened provided input on graduate medical education, state health insurance purchasing, cardiovascular service needs, and a review of hospitals and health systems.

Enhance Publications Capacity and Electronic Communications:

In its role of informing and advising public policy, it is necessary that OHCA produce a wide variety of reports. These publications, in their various formats, are designed to inform legislators, the industry, policy makers and the general public of important issues related to health care. OHCA's printed reports are widely distributed and are also posted on the Agency website for optimum access. Due to the increasingly data-intensive nature of its publications, in 2000, OHCA identified a need to upgrade its report production capacity. The Agency has thus invested considerable human resources to this endeavor.

In addition to the publications already mentioned in this report, in 2000 OHCA developed and distributed a number of brief analyses on various issues including Medicaid and Medicare patient stays and revenue to acute care hospitals; a reassessment of asthma in Connecticut; and a review of changes in average managed care discount rates since deregulation of acute care hospitals. In addition, the Agency produced numerous individual analyses based on requests from legislators, policy-makers and other health system stakeholders.

OHCA continually enhanced its Agency website throughout the year and has increasingly upgraded its website capabilities. Plans are underway for a total reconfiguration of the OHCA website in 2001.

Continually Upgrade Agency Technological Capacity:

As an information-intensive agency, OHCA relies on sound, state-of-the-art technology to provide the

most accurate data capture and analysis capacity. To this end, in 2000, the Agency redesigned and streamlined its Local Area Network, upgraded desktop computers to a Windows NT platform and standardized to Office 2000, upgraded all major databases to SQL 7.0, and developed and implemented new database and vendor for the OHCA Discharge Database. OHCA began 2000 in full compliance with Y2K standards and was successful throughout the year in maintaining full compliance status.

In 2000, OHCA also continued to respond to the information needs of the Legislature, constituents and other State agencies. OHCA staff were active on legislative and interagency committees, worked cooperatively with other agencies to develop and implement programs, and provided data from the OHCA discharge database and the Family Health Care Access Survey.

Objective 3:

Design and direct health care system development.

Evolving market forces are resulting in continued change in Connecticut's health care delivery system. It is OHCA's position that active planning can channel this transition toward development of a strong system. In 2000, OHCA continued to proactively expand its role in designing and directing health system change. The Agency furthered its collaboration with governmental entities, legislators and other policy makers, industry work groups and citizens. Following are descriptions of key Agency accomplishments in this critical area.

Implement Findings of Cardiovascular Needs Assessment:

Throughout 2000, OHCA used findings from its 1999 report, *Cardiovascular Demand Needs Analysis* during Certificate of Need processes to assist analysts in quantifying the concept of "need" as it relates to cardiovascular services and facilities in Connecticut.



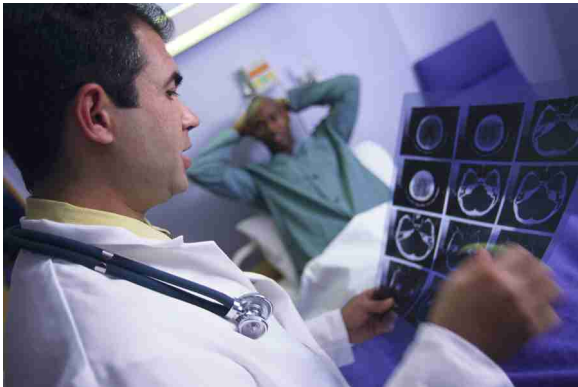
Planning Grants to Hospitals:

As a follow-up to the 1999 Hospital Loan Program which yielded negligible industry interest, the Governor and the Office of Policy and Management, with the support of OHCA, recommended and received legislative approval in 2000 for an alternative method of assisting Connecticut hospitals. The Hospital Grant program was established to support hospital initiatives that may promote efficiencies in the health care delivery system or develop new economies of scale. During the program's six months of operation in 2000, nearly \$600,000 was granted to four hospital-sponsored projects, and six more projects were under review.

OHCA staff and leadership participated in a significant redesign of the taxation plan that funds the Disproportionate Share program, resulting in the repeal of the Gross Earnings Tax on hospitals. Elimination of the GET tax saved hospitals \$100 million in SFY 00-01 alone, and is expected to contribute over time to increased financial stability among Connecticut hospitals.

Agency Objectives and Initiatives for 2001

The year 2000 was pivotal for the Office of Health Care Access. A focused vision, combined with three years of continued improvement in data analysis capacity, and augmented by careful regulatory and process streamlining were embodied in the production of the Agency's 2000 report, *The Health of Connecticut Hospitals*.



This document not only described the positive and negative aspects of the hospital system in Connecticut, it highlighted specific policy areas needing attention in the immediate and near future. Likewise, the report not only showcased the skills and capabilities of the OHCA staff, it set forth a broad range of initiatives that would empower the Agency to better serve the information needs of decision makers.

While the study identified many important strengths of the hospital and health care system in Connecticut, it also shed light on several weaknesses. In 2001 and beyond, OHCA intends to address those weaknesses upon which it may have an impact. These include the following.

Strategic Objective 1

OHCA will concentrate on establishing demand, supply, and utilization benchmarks for specific service areas affected by emerging technologies. Certificate of Need standards and processes will be adjusted and refined to establish these and other necessary standards.

Strategic Objective 2

OHCA will evaluate and analyze additional data elements in measuring performance and access issues within the state's health care delivery system, including ambulatory care statistics and public health indicators. OHCA will conduct ongoing reviews of the data it collects and where appropriate, "sunset" those data not being utilized by OHCA.

Strategic Objective 3

OHCA will establish criteria and benchmarks that will be utilized to monitor financial performance within the state's health care delivery system and begin to identify those entities in serious financial distress that may require some form of state intervention and/or regional planning. Included in these criteria would be the obligation of a hospital to report when it is in technical default of loan covenants.

Strategic Objective 4

OHCA will conduct a study of the impact of recent hospital closures to evaluate patient migration patterns and the impact upon the former hospital's service area.

Strategic Objective 5

OHCA will study and analyze further the role of hospital affiliates in the performance of health care systems and hospitals.

Strategic Objective 6

OHCA will submit to the Commission on the Future of Hospital Care in Connecticut a list of initiatives for their consideration, that in OHCA's opinion, will begin to address numerous health care issues from a statewide policy perspective. These issues will include, but not be limited to:

- Vehicles to ensure cooperation among state entities regarding quality, licensure models, and payment;
 - Creation of a mechanism or vehicle for collaborative state and regional health care planning; and
 - A mechanism whereby the State would undertake a comprehensive evaluation of hospital health, safety and accreditation regulations, evaluating areas of duplication, excessive cost and conflict or contradiction.
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Reports & Publications Available from the Office of Health Care Access

OHCA's role as the state agency responsible for informing public health care policy involves the ongoing development of numerous reports and publications. These documents may be viewed and downloaded from OHCA's website at www.state.ct.us/ohca.

The Health of Connecticut Hospitals.

In January 2001, the Office of Health Care Access released the results of a major study it conducted of hospitals in Connecticut. The report, *The Health of Connecticut Hospitals*, was prepared by the Office of Health Care Access over a 15-month period. It includes detailed descriptions of a variety of forces shaping hospital performance in Connecticut, individual hospital profiles, and a comprehensive analysis of the issues and trends that may have an impact on the future of hospitals in the state.

Annual Reports on Graduate Medical Education (GME).

These 2000 and 2001 reports provide background information about GME and how it is financed, outline recent changes in the financing of health care that have an impact on GME and describe GME programs in the state.

Report of the Cardiovascular Needs Assessment Work Group.

This 2000 report presents the findings of an industry work group convened by OHCA to address issues documented in an earlier study of cardiovascular services in Connecticut. The report also addresses surveillance standards and performance guidelines.

Cardiovascular Needs Analysis Report.

A 1999 document prepared for, and used by OHCA to quantify "need" as it relates to cardiovascular services and facilities in Connecticut.

Reports on the Uninsured in Connecticut.

These 1998 and 1999 reports present findings from studies to determine the status of the uninsured population in the state.

OHCA Key Summaries.

These one-page summary sheets provide up-to-date information on OHCA initiatives and analyses. A sampling of summaries available include:

- ACHIEVE Initiative
- ACHIEVE Purchaser Profiles
- Asthma Discharges for 1998
- Certificate of Need Process
- Financial Health of Hospitals
- The Hospital Grant Program
- Managed Care Discount Rates by Hospital Type
- Medicaid Spending for FY 1998

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